

EXECUTIVE SUMMARY

It appears that Idaho's period of unusually strong economic growth has run its course. Early evidence suggests that nonfarm employment growth slowed after the first half of 1999. Idaho Department of Labor statistics show that August 1999 Idaho nonfarm employment was just 1.5% higher than in August 1998. Looking beyond this summer, nonfarm employment is expected to rise by just over 2.0% in each year of the forecast. In contrast, during the height of the current expansion, employment growth never fell below 3.0% in any year. One engine of growth that will be missed is construction employment. It is expected to be flat given that housing starts should hover near the 10,000-mark. Like construction, mining employment should remain stable. After stumbling this year, manufacturing employment is forecast to gradually pick up speed. On the other hand, services-related employment growth should taper off over the next few years. Both Idaho real total personal and real nonfarm personal incomes should advance an average of 3.4% per year. As the gap between Idaho's economic performance and that of the nation's narrows, net migration into the state should slow. Absent this source of growth, Idaho's population growth will slow from 1998's 1.7% to 1.3% in 2003.

While the anticipated slowdown at the end of this decade may create longing for the performance of the early 1990s, it should be pointed out that Idaho's economy is nowhere near dire straits. Indeed, although the gap between Idaho and national economic performances will narrow, Idaho is expected to outperform the U.S. economy over the next few years. For example, Idaho nonfarm employment growth is projected to rise an average of 2.2% over the forecast period. During this same time U.S. nonfarm employment is expected to average just 1.3% annually. Gem State real total and nonfarm personal incomes are anticipated to advance an average of 3.4% per year, versus U.S. real personal income growth of 2.7%. Thus, although the Idaho economy is expected to slow down, it should remain healthy over the forecast period.

Despite its advanced age, the current U.S. economic expansion shows few signs of ending. Instead, the national economy is projected to slow. While there are no glaring threats to the current expansion, it is far too early to declare the business cycle dead. One need dig just a little deeper to find potential imbalances that could threaten the economy's growth streak. Inflation could rise faster than expected. A weak dollar and strong Asian economy could cause the foreign funds that helped fuel the U.S. expansion to dry up. American consumers may finally grow tired of spending more than they make and become savers once again. The Y2K bug may bite us still, playing havoc with inventories. Continuing anti-inflationary tightening by the Federal Reserve may prick the stock-market bubble. However, the probability that one of these factors will lead us into a recession over the forecast period is relatively small.

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

OCTOBER 1999

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
GDP (BILLIONS)										
Current \$	6,947	7,270	7,662	8,111	8,511	8,949	9,323	9,753	10,146	10,605
% Ch	5.9%	4.6%	5.4%	5.9%	4.9%	5.1%	4.2%	4.6%	4.0%	4.5%
1992 Chain-Weighted	6,611	6,762	6,995	7,270	7,552	7,841	8,050	8,274	8,448	8,658
% Ch	3.5%	2.3%	3.4%	3.9%	3.9%	3.8%	2.7%	2.8%	2.1%	2.5%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	20,628	22,062	23,418	24,651	25,901	27,480	28,967	30,490	32,033	33,746
% Ch	5.9%	7.0%	6.1%	5.3%	5.1%	6.1%	5.4%	5.3%	5.1%	5.3%
Idaho Nonfarm (Millions)	19,979	21,371	22,644	23,958	25,254	26,792	28,233	29,741	31,271	32,967
% Ch	8.9%	7.0%	6.0%	5.8%	5.4%	6.1%	5.4%	5.3%	5.1%	5.4%
U.S. (Billions)	5,758	6,072	6,425	6,784	7,126	7,483	7,846	8,220	8,568	8,960
% Ch	5.1%	5.5%	5.8%	5.6%	5.0%	5.0%	4.8%	4.8%	4.2%	4.6%
PERSONAL INCOME - 1992 \$										
Idaho (Millions)	19,615	20,509	21,336	22,047	22,981	24,012	24,827	25,637	26,358	27,163
% Ch	3.4%	4.6%	4.0%	3.3%	4.2%	4.5%	3.4%	3.3%	2.8%	3.1%
Idaho Nonfarm (Millions)	18,998	19,867	20,631	21,427	22,407	23,411	24,197	25,008	25,731	26,536
% Ch	6.4%	4.6%	3.8%	3.9%	4.6%	4.5%	3.4%	3.3%	2.9%	3.1%
U.S. (Billions)	5,476	5,645	5,854	6,068	6,323	6,539	6,727	6,913	7,052	7,214
% Ch	2.6%	3.1%	3.7%	3.6%	4.2%	3.4%	2.9%	2.8%	2.0%	2.3%
HOUSING STARTS										
Idaho	12,767	9,360	9,214	8,862	10,113	10,125	10,110	10,243	9,972	10,008
% Ch	11.4%	-26.7%	-1.6%	-3.8%	14.1%	0.1%	-0.1%	1.3%	-2.6%	0.4%
U.S. (Millions)	1.446	1.361	1.469	1.476	1.623	1.668	1.542	1.544	1.517	1.516
% Ch	12.0%	-5.9%	7.9%	0.5%	10.0%	2.8%	-7.5%	0.2%	-1.8%	-0.1%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	461.1	477.4	492.6	508.8	521.6	533.7	545.5	557.4	568.8	580.8
% Ch	5.6%	3.5%	3.2%	3.3%	2.5%	2.3%	2.2%	2.2%	2.1%	2.1%
U.S. (Millions)	114.1	117.2	119.6	122.7	125.8	128.5	130.7	132.9	134.1	135.4
% Ch	3.1%	2.7%	2.1%	2.6%	2.6%	2.1%	1.7%	1.6%	0.9%	1.0%
FINANCIAL MARKETS										
Federal Funds Rate	4.2%	5.8%	5.3%	5.5%	5.4%	5.0%	5.5%	5.5%	5.5%	5.5%
Bank Prime Rate	7.1%	8.8%	8.3%	8.4%	8.4%	8.0%	8.5%	8.5%	8.5%	8.5%
Mort Rate, New Homes	7.5%	7.9%	7.8%	7.7%	7.1%	7.2%	7.8%	7.3%	7.1%	7.1%
INFLATION										
GDP Price Deflator	2.4%	2.3%	1.9%	1.9%	1.0%	1.3%	1.5%	1.8%	1.9%	2.0%
Personal Cons Deflator	2.4%	2.3%	2.0%	1.9%	0.8%	1.5%	2.0%	1.9%	2.2%	2.2%
Consumer Price Index	2.6%	2.8%	2.9%	2.3%	1.6%	2.2%	2.5%	2.3%	2.5%	2.6%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the SECOND Quarter of 1999

IDAHO ECONOMIC FORECAST

EXECUTIVE SUMMARY

OCTOBER 1999

	2000				2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	9,175	9,264	9,372	9,482	9,616	9,711	9,797	9,888	9,999	10,091	10,191	10,303
% Ch	2.8%	3.9%	4.8%	4.8%	5.8%	4.0%	3.6%	3.8%	4.6%	3.7%	4.0%	4.5%
1992 Chain-Weighted	7,969	8,017	8,079	8,136	8,210	8,256	8,294	8,335	8,385	8,423	8,466	8,519
% Ch	1.3%	2.4%	3.1%	2.9%	3.7%	2.3%	1.9%	2.0%	2.4%	1.8%	2.1%	2.5%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	28,432	28,789	29,140	29,509	29,917	30,313	30,687	31,042	31,460	31,836	32,219	32,615
% Ch	6.0%	5.1%	5.0%	5.2%	5.6%	5.4%	5.0%	4.7%	5.5%	4.9%	4.9%	5.0%
Idaho Nonfarm (Millions)	27,742	28,063	28,389	28,739	29,174	29,562	29,933	30,295	30,709	31,078	31,453	31,846
% Ch	6.0%	4.7%	4.7%	5.0%	6.2%	5.4%	5.1%	4.9%	5.6%	4.9%	4.9%	5.1%
U.S. (Billions)	7,717	7,801	7,887	7,978	8,089	8,181	8,263	8,345	8,442	8,524	8,607	8,699
% Ch	5.5%	4.4%	4.5%	4.7%	5.7%	4.6%	4.1%	4.0%	4.8%	3.9%	4.0%	4.3%
PERSONAL INCOME - 1992 \$												
Idaho (Millions)	24,530	24,729	24,922	25,125	25,354	25,558	25,739	25,899	26,102	26,270	26,441	26,620
% Ch	4.1%	3.3%	3.2%	3.3%	3.7%	3.2%	2.9%	2.5%	3.2%	2.6%	2.6%	2.7%
Idaho Nonfarm (Millions)	23,934	24,106	24,280	24,470	24,725	24,925	25,106	25,276	25,478	25,645	25,812	25,991
% Ch	4.1%	2.9%	2.9%	3.2%	4.2%	3.3%	2.9%	2.7%	3.2%	2.6%	2.6%	2.8%
U.S. (Billions)	6,660	6,704	6,749	6,796	6,857	6,899	6,932	6,964	7,006	7,035	7,065	7,101
% Ch	3.7%	2.6%	2.7%	2.8%	3.6%	2.5%	1.9%	1.8%	2.5%	1.7%	1.7%	2.1%
HOUSING STARTS												
Idaho	9,911	10,023	10,182	10,325	10,346	10,306	10,205	10,116	10,064	10,001	9,936	9,888
% Ch	1.4%	4.6%	6.5%	5.8%	0.8%	-1.5%	-3.8%	-3.5%	-2.0%	-2.5%	-2.5%	-1.9%
U.S. (Millions)	1,558	1,537	1,532	1,541	1,552	1,547	1,539	1,539	1,536	1,523	1,508	1,502
% Ch	-13.6%	-5.3%	-1.3%	2.6%	2.8%	-1.3%	-2.1%	0.1%	-0.8%	-3.5%	-3.9%	-1.4%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	541.7	544.6	546.7	549.0	552.4	555.9	559.2	562.0	565.0	567.6	570.2	572.6
% Ch	2.7%	2.2%	1.5%	1.7%	2.5%	2.6%	2.4%	2.1%	2.1%	1.9%	1.8%	1.7%
U.S. (Millions)	129.9	130.5	131.0	131.6	132.2	132.7	133.1	133.5	133.8	134.0	134.2	134.5
% Ch	2.0%	1.6%	1.5%	1.8%	2.0%	1.7%	1.2%	1.0%	0.9%	0.7%	0.7%	0.9%
FINANCIAL MARKETS												
Federal Funds Rate	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Bank Prime Rate	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Mort Rate, New Homes	7.9%	7.9%	7.8%	7.7%	7.5%	7.3%	7.2%	7.2%	7.1%	7.1%	7.1%	7.1%
INFLATION												
GDP Price Deflator	1.6%	1.5%	1.6%	1.9%	2.0%	1.7%	1.7%	1.7%	2.1%	1.9%	1.9%	1.9%
Personal Cons Deflator	1.8%	1.8%	1.7%	1.8%	1.9%	2.1%	2.1%	2.1%	2.3%	2.2%	2.2%	2.2%
Consumer Price Index	2.2%	2.3%	2.2%	2.2%	2.2%	2.4%	2.4%	2.5%	2.6%	2.5%	2.5%	2.6%

National Variables Forecast by Standard and Poor's DRI
Forecast Begins the SECOND Quarter of 1999